

Message Text

LIMITED OFFICIAL USE

PAGE 01 MONTRE 00977 151549Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 L-03 NSC-05 SS-15
STR-07 CEA-01 PA-01 INT-05 FTC-01 /101 W
-----105288 151707Z /64

R 151515Z MAY 78
FM AMCONSUL MONTREAL
TO SECSTATE WASHDC 493
INFO AMEMBASSY OTTAWA
AMCONSUL QUEBEC

LIMITED OFFICIAL USE MONTREAL 977

E.O. 11652: NA
TAGS: EINV, EMIN, CA
SUBJECT: ASBESTOS CORP. WORTH \$300 MILLION?

1. BEGIN SUMMARY: FRENCH PRESS IN MONTREAL REPORTED THAT GENERAL DYNAMICS WILL PLACE VALUATION OF \$300 MILLION ON ASBESTOS CORPORATION. FIGURE IS ATTRIBUTED TO "HIGH OFFICIAL", BUT ASBESTOS CORP. OFFICIALS HERE DENY ANY RESPONSIBILITY. FOLLOWING ELECTION OF PQ, ASBESTOS CORP. SHARPLY INCREASED EXPLORATION AND DRILLING ACTIVITIES, WITH RESULT THAT RESERVES INCREASED BY 56 PERCENT LAST YEAR. TAKING VALUE OF RESERVES INTO ACCOUNT, \$300 MILLION COULD WELL BE IN BALLPARK AS VALUATION GENERAL DYNAMICS WILL THROW ON TABLE FOR OPENING ROUND OF NEGOTIATIONS. END SUMMARY.

2. PSYCHOLOGICAL WARFARE SURROUNDING PQ'S INTENDED TAKEOVER OF ASBESTOS CORP. PICKED UP IN TEMPO LAST WEEK AS MONTREAL'S LE DEVOIR CARRIED FRONT PAGE HEADLINE SUGGESTING THAT GENERAL DYNAMIC'S VALUATION OF ASBESTOS CORP. HAD PLACED PRICE AT \$300 MILLION. FIGURE WAS REPORTEDLY OBTAINED FROM "CERTAIN HIGH EXECUTIVES" OF ASBESTOS CORP. OR GENERAL DYNAMICS WHO WERE GA-
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MONTRE 00977 151549Z

THERED IN MONTREAL FOR ANNUAL MEETING OF ASBESTOS CORP. FIGURE OF \$300 MILLION WAS ALSO CONTAINED IN AFTERNOON LA PRESSE, BUT DID NOT APPEAR IN EITHER OF MONTREAL'S TWO ENGLISH NEWSPAPERS, WHICH REPORTED THAT ASBESTOS CORP. CHAIRMAN HAD REFUSED TO PLACE VALUE ON PROPERTIES OF ASBESTOS CORP.

3. EXECUTIVE VICE PRESIDENT OF ASBESTOS CORP. TOLD CONSULATE THAT

COMPANY HAD NO IDEA WHERE OR HOW FIGURE OF \$300 MILLION HAD BEEN OBTAINED. HE SAID THAT CHAIRMAN WAS UPSET ABOUT REPORTS, AND THAT COMPANY HAD NOT BEEN ABLE TO TRACE REPORTED STATEMENT TO ANY OFFICIAL OF EITHER ASBESTOS CORP. OR GENERAL DYNAMICS. QUEBEC LIBERALS, WHO HAVE BEEN OPPOSING ASBESTOS BILL IN NATIONAL ASSEMBLY WITH FILIBUSTER, JUMPED ON \$300 MILLION FIGURE TO ILLUSTRATE EXCESSIVE COST OF GOVERNMENT'S INTENDED TAKE-OVER OF ASBESTOS CORP. CLAUDE FORGET, WHO HAS LED FIGHT IN NATIONAL ASSEMBLY AGAINST ASBESTOS BILL FOR LIBERALS, SUGGESTED THAT TRADING IN SHARES OF ASBESTOS CORP. BE SUSPENDED TO PREVENT SPECULATION.

4. TOTAL VALUE OF \$300 MILLION WOULD WORK OUT TO PRICE OF \$105 PER SHARE FOR ALL OF OUTSTANDING STOCK OF ASBESTOS CORPORATION. PRESENT VALUE OF OUTSTANDING SHARES BASED ON CURRENT PRICE OF \$40 PER SHARE QUOTED TORONTO STOCK EXCHANGE IS \$114 MILLION. BOOK VALUE, USING FIGURES FROM ANNUAL REPORT, APPROXIMATES \$48.50 PER SHARE, FOR TOTAL OF \$138 MILLION. DURING 1977, PRICE OF ASBESTOS CORP. COMMON STOCK RANGED FROM LOW OF \$19 TO HIGH OF \$42. EARNINGS PER SHARE ROSE TO \$7.40 IN 1977 FROM \$719. IN PREVIOUS YEAR. EARNINGS FOR FIRST QUARTER OF 1978 FELL, HOWEVER, TO \$1.16 A SHARE FROM \$1.82 IN PREVIOUS YEAR, REFLECTING SLOW GROWTH IN WESTERN ECONOMIES AND ENVIRONMENTAL CONCERNS IN SOME COUNTRIES.

5. MOST STRIKING DEVELOPMENT IN ASBESTOS CORP. HAS BEEN INCREASE IN PROVEN RESERVES IN LAST YEAR. FOR TEN YEAR PERIOD PRECEDING LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MONTRE 00977 151549Z

1976, RESERVES HAD BEEN RELATIVELY STABLE, RANGING FROM 150 MILLION TONS TO 170 MILLION TONS. FROM YEAR END 1976 TO END 1977, HOWEVER, PROVEN RESERVES ROSE FROM 145 MILLION TO 226 MILLION TONS, AN INCREASE OF 56 PERCENT, AS ASBESTOS CORP. SHARPLY STEPPED UP EXPLORATION AND DRILLING PROGRAM. AT 1977 MINING RATE OF ABOUT 8 MILLION TONS OF ORE, RESERVES ARE SUFFICIENT TO COVER 25 YEARS. IN ADDITION, ASBESTOS CORP SHOWS 100 MILLION TONS CLASSIFIED AS PROBABLE ORE RESERVES AND 205 MILLION TONS CLASSIFIED AS POSSIBLE RESERVES, MUCH OF WHICH COULD BECOME PROVEN ORE AS DRILLING PROGRAM CONTINUES. WHILE PQ, SHORTLY AFTER ELECTION, HAD TALKED ABOUT RESERVES BELONGING TO "THE PEOPLE", MINISTER OF NATURAL RESOURCES YVES BERUBE, ACCORDING TO ASBESTOS CORP. OFFICIALS, HAS SINCE RECOGNIZED THAT MINERAL RIGHTS DO BELONG TO COMPANY. QUESTION OF WHO OWNS RESERVES CONSEQUENTLY DOES NOT NOW APPEAR TO CONCERN ASBESTOS CORP., WHICH SAYS ITS RIGHTS ARE WELL ESTABLISHED AND RECOGNIZED.

6. COMMENT: WHILE ASBESTOS CORP. DENIES ANY RESPONSIBILITY FOR MENTION OF \$300 MILLION FIGURE, WE WOULD GUESS THAT SOMEONE IN COMPANY GAVE FIGURE TO PRESS AS OPENING SALVO IN WHAT COULD PROVE TO BE EXTENDED AND DIFFICULT NEGOTIATIONS. TOTAL IS WELL ABOVE THAT WHICH HAS BEEN MENTIONED BY PQ, BUT WE SUSPECT THAT IT

MAY NOT BE FAR FROM VALUATION THAT GENERAL DYNAMICS WILL USE AS BENCHMARK, AT LEAST IN OPENING ROUND, WHEN FORMAL NEGOTIATIONS BEGIN. SINCE ELECTION OF PQ, ASBESTOS CORP. HAS OBVIOUSLY ACCELERATED EXPLORATION ACTIVITIES IN ORDER TO ENHANCE VALUE OF ITS BARGAINING POSITION. CONSIDERING VALUE OF RESERVES, HIGH OFFICIAL IN ASBESTOS CORP TOLD US \$300 MILLION FIGURE MIGHT BE "ABOUT RIGHT" BUT HE PERSONALLY THOUGHT GENERAL DYNAMICS MIGHT FIND IT A LITTLE ON "LOW SIDE". FINAL SETTLEMENT WILL UNDOUBTEDLY BE CONSIDERABLY LESS, BUT AT LEAST FOR FIRST ROUND, \$300 MILLION FIGURE, TAKING RESERVES INTO ACCOUNT, MAY NOT BE AS OUTRAGEOUS AS IT INITIALLY APPEARS.

HARPER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, NATIONALIZATION, FOREIGN INVESTMENTS, MINING INDUSTRY
Control Number: n/a
Copy: SINGLE
Draft Date: 15 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978MONTRE00977
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780205-0580
Format: TEL
From: MONTREAL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780559/aaaabxog.tel
Line Count: 127
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 2d841c9f-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2689738
Secure: OPEN
Status: NATIVE
Subject: ASBESTOS CORP. WORTH \$300 MILLION?
TAGS: EINV, EMIN, CA, US, ASBESTOS CORP, GENERAL DYNAMICS
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/2d841c9f-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014